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SUBJECT: PERU FY 2007-2008 CERTIFICATION REPORT CARD

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¶1. (SBU) Working relationships and cooperation between the Government of Peru (GOP) and the U.S. Government agencies responsible for implementation of counter-narcotics (CN) policies continue at an all time high. The Narcotics Affairs Section (NAS), Drug Enforcement Administration (DEA), U.S. Agency for International Development (USAID) as well as other USG agencies in Peru have near unfettered access to the highest levels of the Ministry of Interior, DEVIDA, Public Ministry and the Peruvian National Police (PNP). Per REFTTEL B, the FY 2007-2008 Certification Demarche was presented to the Ministry of Foreign Affairs, Directorate for Drug Control, on 22 February 2008. The following are specific benchmarks presented to the Government of Peru and the actions taken in each area to date:

¶A. Coca and opium poppy reduction:

1) The USG asked the GOP to reduce illegal coca cultivation in Peru through continued programmed eradication, steadily reducing hard-core areas and coca expansion zones, and to continue eradication at the same or better rate than in 2007, taking into consideration reduced assistance resources available from the United States.

----- Peru's eradication efforts are currently close to 30 percent above last year and should succeed in converting the San Martin Department, part of the Upper Huallaga Valley, into a &coca insignificant8 zone. The 2008 eradication plan aims to consolidate Alternative Development efforts in Tocache as well as assisting USAID with the establishment of a new AD Program in the Aucayacu area. With the exception of about 500 hectares in one sub-region, programmed to be eradicated in the next 45 days, the only coca existing in the area will be small, scattered fields, unattractive for narco-trafficking. In the coming two months, operations will commence in the southern UHV in a hard production zone, opening the door for development activity and sustained coca reduction.

2) The USG asked the GOP to make every effort to fulfill its commitment to cause a net reduction in coca cultivation in FY-2008, including eradicating at least 8,000 hectares.

----- Peru's circa 1000 USD per hectare coca eradication program is considered to be highly cost effective. Funding constraints mean Peru can still only concentrate resources on about 20-33 percent of the total coca in existence, however. Despite success in sharply reducing the number of hectares under coca cultivation in the Upper Huallaga Valley (from 4,000 hct down to the 500 hct programmed for eradication in the next month), some expansion is occurring in other areas. However, Peru is stabilizing coca crops overall. In CY2007, Peru exceeded its programmed eradication goal of 10,000 hct by over 1,000 hct. In CY2008, at the current rate of eradication, the 8,000 hct goal with budgeted funds should

be reached or surpassed.

3) The USG asked the GOP to continue efforts to locate opium poppy cultivation and eradicate all poppy found.

----- In 2005, CADA prepared a map of potential poppy growing areas. However, since the PNP has not approved CADA civilian employees to participate in operations to detect and destroy poppy plants, no spectral signatures have been documented to be able to detect poppy through satellite imagery. Since January 2008, the PNP located and destroyed approximately 750,000 poppy plants and one morphine processing laboratory.

B. Police Counter-Narcotics Enforcement

1) The USG asked the GOP continue to graduate at least 1000 new counter-narcotics police through the PNP Basic Training Academies, to provide security for eradication of illegal coca and to carry out interdiction operations. Their efforts contribute to disrupting cocaine HCl and cocaine-base as well as opium latex trafficking. This will require a commitment to fund and maintain the viability of these new officers to guarantee police presence and operational success in the future.

-----There are currently three PNP Basic Training Academies for the Peruvian narcotics police, DIRANDRO, located in the coca-growing regions east of the Andes: a fourth is being added in 2009. In March 2007, 727 new drug police graduated from these academies, their December 2006 graduation having been delayed. In December 2007, 820 more DIRANDRO police graduated, who went on to finish operational training for 4 months into 2008. The annual training cycle is now established: there are currently 750 trainees registered at the three ETS-PNP schools who will be assigned upon graduation to CN bases for three years. In February 2008, 758 students from remote and rural communities located in the Huallaga and Apurimac/Ene Valleys (VRAE) were enrolled in the police pre-academies to qualify for entry into one of the four Basic Training Academies. Approximately 1800 new narcotics police are already part of DIRANDRO operational units conducting aggressive interdiction and eradication security support operations.

2) The USG asked the GOP to attempt to lower the price of illicit coca leaf and maintain the lower value through repeated interdiction, simultaneously raising the price of illegal precursor chemicals through increased seizures in the drug source zones.

--- The market laws of supply and demand do not always apply when dealing with criminal mafias. However, the PNP has been able to achieve some success in the strategy of reducing the value of illegal coca and raising the price of precursor chemicals through sustained interdiction. In the VRAE, where police interdiction has been more aggressive, the price of an arroba of coca (11.5 kilos) has shown some decrease (by 5-10 soles to s/75, or 27 USD) and the price of precursor chemicals has more than doubled. The increased presence of police officers in the region has also contributed to an heightened risk to narco-traffickers of being arrested and losing leaf and chemicals. In areas where eradication and interdiction are non-existent such as the Monzon Valley, the price of coca leaf has risen more than 100 percent in the past year. An arroba of coca leaf was 22 USD in April 2007, but had risen to 45.5 USD by April 2008 as drug mafias pumped money into the production effort.

3) The USG asked the GOP to increase the seizures of illicit drugs and precursor chemicals in the production area by 10 percent above the FY 07 total.

----- To date, DIRANDRO personnel have conducted approximately 4116 drug interdiction missions, destroyed 390 cocaine base and 10 HCL producing laboratories, seized more

than 4,700 kilos of HCL, 2,652 kilos of cocaine base, 7.9 kilos of opium latex, 719 kilos of marijuana, and approximately 169,000 kilos of precursor chemicals that prevented the production of approximately 8.3 metric tons of cocaine. This represents an increase of approximately 22.5 percent of cocaine production averted.

C. International narco-trafficking organizations:

1) The USG asked the GOP to focus investigative and intelligence resources on discovering and destroying attempts by major international trafficking organizations to operate or become established in Peru.

----- Drug trafficking investigations indicate that Peruvian drug trafficking organizations (DTO) are maintaining their role as transportation support for cocaine HCL and base products. Their efforts appear to be coordinated with Mexican and Colombian drug trafficking organizations who are orchestrating the routes and destination of these cross-sea and overland shipments. The PNP, with US law enforcement assistance, has developed investigations against drug traffickers having interconnected organizational relations with Sendero Luminoso (SL) to continue the flow of coca leaf and cocaine products transported from the Monzon, UHV and the VRAE.

Peru's law enforcement efforts continue to achieve limited success against DTOs including those related to Fernando Zevallos Gonzales and Adrian Velarde-Huamani. Through continued investigations and drug intelligence, additional drug and money laundering charges are being effected against these organizations as well as seizures of assets.

D. Airports and seaports:

1) The USG asked the GOP to maintain its drug interdiction capabilities in Peru's Callao and Paita seaports through maritime shipping container inspection programs, including the National Cargo Manifest Review Unit, to adequately staff container scanners, and to maintain the cargo inspection canine teams in Callao and Paita as well as at Lima's international airport. The goal is an increase of 10 percent in the quantities of drugs seized by Peruvian Coast Guard, Customs and Police units to substantially diminish the exploitation of Peru's ports and coastline by narco-traffickers.

----- The GOP maintains tight control over cargo and passengers by using high technology equipment and trained dogs to search for and detect drugs passing through Peru's air and seaports. Using ION scanners, body scanners, canines, container scanners and specialized tactics and procedures, the Joint Task Force, consisting of SUNAT (Peruvian Customs) and the PNP made over 700 arrests and seized more than 7.8 metric tons of cocaine HCL and base at Jorge Chavez International Airport in Lima and the Ports of Callao and Paita this year alone (2008). At the Ports of Callao, Salaverry, Chimbote and Paita, SUNAT continues to closely review containerized cargo through its Manifest Review Unit (MRU), electronically inspecting more than 180,000 sea-going containers between January and April 2008. SUNAT created a specialized Dive Team to conduct under-hull inspections of suspect vessels in port and barges on the inland waterways. SUNAT has also recently intensified its efforts to detect illicit currency being used for drug trafficking, resulting in several significant seizures totaling approximately one million USD.

E. Money laundering:

1) The USG asked the GOP to use recent legislation authorities to develop and implement a national anti-money laundering strategy, including prosecution of those involved in laundering money. The strategy should identify functional and legal causes for delays in prosecutions and initiate

actions to remove such barriers.

----- Money laundering remains a serious problem in Peru. The Peruvian Congress passed an Asset Forfeiture Law in July 2007. Congress subsequently modified the law and ratified its constitutionality in March 2008. The Ministry of Justice has undertaken a media campaign to educate the public about how the law will be used to attack organized crime, and is developing a strategy to train police, prosecutors and judges who will be involved in money laundering prosecutions. A national study on money laundering activities in Peru and prosecution efforts is underway. The Financial Intelligence Unit (UIF) has implemented an anti-money laundering strategy to generate financial intelligence to detect money laundering crimes. The UIF reported that it had detected 1,554 suspicious operations in 2007 and 108 this year (the latest statistics). Judicial authorities launched twelve formal investigations for money laundering in 2007 and eight in the first quarter of this year. Recent investigations implicate money exchange houses, offshore and straw corporations, wire transfers, and investment of drug money into existing legitimate companies. The complexity of such investigations require substantial manpower and resource commitments: while there has been improved cooperation between the police, prosecutors and tax authorities, Peru's burdensome legal system and institutional disaccord has impeded aggressive prosecutions of money laundering organizations to date.

2) The USG asked the GOP to implement asset forfeiture legislation to increase seizures of narco-assets, and establish mechanisms to convert them to use for counter-narcotics and other law enforcement efforts.

----- The Ministry of Justice is designated as the lead agency in implementing the Asset Forfeiture Law. The Ministry has revised the law's implementing regulations and has undertaken a media campaign to educate the Peruvian public about the law and how it will be used to attack organized crime. The Ministry is also in the process of developing a strategy to implement the law and to provide training to police, prosecutors and judges who will be involved in asset forfeiture prosecutions. The law received final approval, in terms of constitutionality, from the Peruvian Congress in April 2008. Although no cases have been prosecuted to date, it is anticipated that a number of cases will be brought forward in the next several months. The GOP is also undertaking a national money laundering study that will look at current money laundering activities in Peru and the GOP's efforts to prosecute money launderers. The study will provide recommendations to GOP entities on how to facilitate money laundering investigations and prosecutions.

F. Precursor chemical control:

1) The USG asked the GOP to take significant steps to stop the diversion of precursor chemicals for drug manufacture including adding legislative language outlawing certain precursor chemicals.

-----The GOP has made slight progress in developing the chemical control registry which is at the heart of the Chemical Precursor Control Law passed by the Peruvian Congress in 2004. It has taken the GOP three years to develop the implementing regulations and another year for the Ministry of Production and SUNAT, the Peruvian IRS, to reach agreement on developing the software needed to create the registry which will be used by law enforcement entities to track commerce in precursor chemicals and undertake enforcement actions nationwide. It will be another 12-15 months before the registry is online for users.

G. Extraditions:

1) The USG asked the GOP to provide cooperation, bilaterally and multilaterally, if/when extradition requests are filed regardless of nationality.

-----The U.S. and Peru are parties to an Extradition Treaty that entered into force in 2003. Among the eight U.S. extradition and provisional arrests still pending, six are related to narco-trafficking. In 2008, there were three new extradition requests presented for two Peruvians and one Colombian for narcotics trafficking. These prospective extradites are not subject to any criminal charges under Peruvian law and are currently being processed for extradition hearings. Normally, Peruvian law requires an individual to serve his/her sentence in Peru before being eligible for extradition; consequently, no Peruvians have been extradited to the United States. These recent request will provide the GOP with an excellent opportunity to demonstrate its cooperation on this issue.

H. Demand reduction:

1) The USG asked the GOP to expand its efforts to reduce drug abuse among the Peruvian population by intensifying their activities to educate the Peruvian public about narco-trafficking's threat to society and democratic institutions in Peru through an active public awareness campaign and education efforts nationwide, especially among the most vulnerable members of society.

For the first time, in 2007 Peru's Anti-Drug agency DEVIDA received substantial government funding of over 3 million USD to implement strategies, demand reduction and prevention activities, media outreach and training programs in conjunction with relevant ministries. A December study conducted by DEVIDA in the drug-producing regions showed that the public there is now well aware of the threat of narco-trafficking. The responses of the 1,600 people interviewed revealed a much stronger understanding of and support for counter-narcotics programs: over 63 percent acknowledged that most coca goes to narcotics production and over 41 percent indicated they favored eradicating all coca beyond that used by the legal market; almost 29 percent were in favor of eradicating all coca. DEVIDA's regional anti-drug education programs reached 100,000 school students. DEVIDA also implemented a Rapid Impact Plan (funded at 3 million USD) with the Ministry of Health for demand reduction.

I. Supply reduction:

1) The USG asked the GOP to establish and employ reciprocal maritime operational procedures with the USG to expedite communications and decisive interdiction action between our respective maritime operations centers.

-----This issue is being considered by the Ministry of Foreign Affairs (MFA) and monitored closely by several sections within the U.S. Mission in Peru. The Peruvian Navy and Coast Guard have advanced this agreement within the GOP and have express support in principle for such an agreement.

J. Alternative development:

1) The USG asked the GOP to take a leadership role in furthering post-eradication alternative development efforts.

-----The GOP has been a strong advocate for post-eradication alternative development, taking a very public leadership role both in Peru and on the international scene. DEVIDA presented the post-eradication alternative development model at the Inter-America Drug Abuse Control Convention (CICAD) meeting in early 2008, and Peru has since been named President of the CICAD Experts Group on Alternative Development. This new role for Peru will facilitate the sharing of post-eradication alternative development experiences with other countries in the region and the world that struggle with making eradication efforts sustainable.

2) The USG asked the GOP to increase its investment in economic

infrastructure in the coca growing valleys to facilitate greater market access for alternative development products.

-----For the first time in history, the GOP has dedicated significant budgetary resources specifically to counter-narcotics efforts through the Rapid Impact Plan. The Rapid Impact Plan effort is led by DEVIDA, and has resulted in increased funding for activities and infrastructure in coca-growing areas, which will be implemented by more than 15 government entities under DEVIDA's coordination. Funding in 2008's Plan amounted to S/35,000,000 (12,411,348 USD), a significant portion of which is for economic infrastructure, which will directly impact market access for alternative development products.

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